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1. TWO RETIREMENT SYSTEMS

- a. Heretofore, employees have been covered by the Civil Service Retirement System. The benefits of this system are appropriate for those individuals whose conditions and terms of service are comparable to those of Federal employees generally. All employees will continue to initiate their careers in the Organization under the Civil Service System. Those who are not designated to participate in the Organization System will remain in and be retired under the Civil Service System. The attached chart describes and compares the principal provisions of the two systems.
- b. Early in an Organization career the individual who meets the primary requirements of "serving in a career field which normally requires the performance of minimum period of qualifying service as an integral part of a career in that field" will usually be moved out of the Civil Service System and into the Organization System. To ensure that he continues to qualify as a participant in the Organization system, his record will be reviewed periodically (at the fifth and tenth anniversary of designation as a participant and at the fifteenth anniversary of his entrance on duty in the Organization). Such reviews will confirm that he meets the criteria for participation in the system and has in fact served required minimum periods of qualifying service. When he has completed fifteen years of service in the Organization and has met all of the requirements of the Organization system (normally including 5 years of qualifying service), he will be able to exercise a choice to remain in the Organization system for the remainder of his career or to request his return to the Civil Service system. The latter involves the transfer of funds and records to the Civil Service System; for this and other reasons, the exercise of this choice will normally be permitted only once.

2. EARLY RETIREMENT

- a. The Organization's decision to request "early retirement legislation" for certain of its employees was based on extensive study of the problems of security, Identity I and health which are encountered in carrying out many of the Organization missions in foreign areas. This study revealed that these problems tend, in most cases, to become acute beyond the age of 50, that the skills and experience acquired abroad are not readily utilized in any quantity in headquarters and that the interest of the Organization and the individual would, in some cases, be served by the individual's retirement from the Organization at the time his effectiveness in this type of service was being reduced because of security, Identity J and health problems.

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- b. The basic provision of the Act is that it permits an individual at age 50, with 20 years of government service, 10 years of Organization service and 5 years of "qualifying service" to retire without a reduction in annuity for age. In contrast, when an employee under the Civil Service System of comparative age and service (whether Organization or "qualifying" is not relevant) is terminated, if termination is not for cause, he becomes eligible for an immediate but reduced (15% in the case of the individual age 50) annuity.
- c. The underlying premise of the Act is that the combination of the problems encountered in performing "qualifying service" beyond the age of 50 and the inducements of early retirement benefits under the Organization System would result in a sufficient number of voluntary retirements on or soon after age 50 to permit the Organization to maintain an appropriate balance in the career groups performing the service related to the Act. The provision for involuntary retirement under the Act is to ensure that any necessary further adjustments can be made with equitable annuities. Implicit in the Act then is the intent of the Organization to achieve a higher incidence of retirement at or soon after age 50 from within the ranks of the Organization System than from the Civil Service System. Thus, the choice exercised by the individual in the Organization System after 15 years of Organization service is an important one. A choice to remain in the Organization System automatically places him in a category of careerists from which a higher rate of early retirements, whether voluntary or involuntary, will occur; this choice also assures him of whatever career advantages---including those provided by the Act---accrue from being a member of this group of careerists. A choice not to remain, however, provides no assurance of a longer career.\*

3. "QUALIFYING SERVICE"

- a. To enter the Organization System the individual must have demonstrated intent, early in his career, to perform what is described as "qualifying service". To remain in the System he must periodically have performed minimum periods of "qualifying service". And to be eligible for retirement under the System he must have completed at least 5 years of "qualifying service".
- b. The regulation goes much further than the Act in defining "qualifying service" and provides sufficient criteria for judging in most instances the qualifications of an individual for entrance into, remaining in, and being retired from the Organization System. However, both the Act and the regulation permit, and indeed require, considerable interpretation in their application to a limited number of employees whose duties do not, for one reason or another, fit neatly into the easily identified types of "qualifying service".

\*The Director may in his sole discretion terminate the employment of any individual when in his judgment it is necessary or advisable in the interests of the United States to do so. This authority is applicable to all employees of the Organization. Thus, an individual's position with respect to termination of employment by decision of the Director is the same under both Systems.

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- c. For example, most duty performed overseas (outside of the 48 continental states and the District of Columbia) is "qualifying service". However, there may be a few instances in which service overseas will not be considered "qualifying service".
- d. The Act and the regulation also permit non-overseas service which is performed under conditions similar to those of service overseas to be considered "qualifying service". Precise criteria have not been established for determining the conditions of non-overseas service which would place such service in a qualifying category. These standards will evolve in a case-by-case review of those individuals nominated for participation on the strength of non-overseas service believed by their Career Services to be "qualifying". Such unusual circumstances as extremely adverse living and working conditions and demonstrable hazard to life or health may well be pertinent to these determinations.
- e. The regulation also contains (subparagraph b(9)(c) of attachment 1) a criterion of "qualifying service" based on the performance of duty "on a continuing basis which would place the individual at a distinct disadvantage in obtaining other employment..." Application of this standard requires determinations based on conditions at a time when the individual seeks to enter other employment and on retrospective consideration of his Organization career in light of current conditions. This standard was included to provide for those rare cases when the Organization might be obliged to release short of normal retirement age of 60 or so an individual whose Organization experience was completely unrelated to any other field of employment or who could not be permitted to give even general information defining the scope, level, and nature of his Organization experience.
- f. Clearly the Organization has been given the broadest possible latitude for defining "qualifying service" to permit granting the benefits of the Organization System to those employees whose service merits such benefits. While the standards for determining "qualifying service" will be more clearly defined with experience in applying the Act and the regulation, it is unlikely that they will become so precise that a factor of judgment will not be required. Additionally, the dynamics of Identity K in a changing world demand that the criteria in making judgments in the context of the Act be periodically reviewed.

4. ADVANTAGES OF THE SYSTEM

- a. The Organization System not only provides substantially all of the benefits of the Civil Service Retirement System but in addition offers the following distinct advantages:

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- (1) Voluntary Early Retirement: A participant in the System may, with the consent of the Director, retire upon reaching age 50 if he has at least 20 years of creditable Federal service including at least 10 years of Organization service which includes at least 5 years of qualifying service.
- (2) No reduction in Annuity for Retirement Before Age 60: Under the Civil Service Retirement System, all retirement below age 60, except disability retirement, requires a reduction in annuity. The reduction is 1% of annuity for each year the retiree is under age 60 to age 55, and 2% of annuity for each year he is under age 55. There is no reduction in annuity under the Organization Retirement System before reaching 60.
- (3) More Liberal Annuity Computation Formula: Under both Systems, an annuity is based on the individual's "high-5 salary", that is, his average salary for his highest paid 5 consecutive years of service. However, under the Civil Service Retirement System, the annuity is computed at 1.5% for the first 5 years of service, 1.75% for the second 5 years, and 2% of high-5 for all remaining years of service. Under the Organization System, the annuity is computed at 2% of high-5 for all years of service.

#### 5. RETIREMENT BOARD

The implementation of the Act is being carried out under the supervision of a Board comprised of senior Organization officials nominated by the Deputy Director to assist and advise the Director of Personnel in the administration of the System. A Retirement Staff has been established in the Office of Personnel to provide staff and secretariat support in the administration of the System.

#### 6. ACTION REQUIRED BY THE EMPLOYEE

Unless an employee is or soon will be fifty years of age, is otherwise qualified and desires to retire voluntarily in the near future under the Organization System, no, repeat no, action is required by the individual employee at this time. All career employees now on duty with the Organization who have completed three or more years of service in the Organization and who are at least 25 years old will be automatically considered for designation in the System. Because of the number of employees involved, this process will probably take many months to complete. The reviews will be phased so that those employees will be considered first who may now, or soon hereafter, be eligible for retirement. Successively lower age groups will then be reviewed. The individual will formally be notified when action has been taken in his case.

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Normally, designation of an employee with less than 15 years of Organization service to the Organization System will be largely an administrative action on the direction of the Director of Personnel who acts on the recommendation of the head of the individual's career service. While the procedure provides for prior notification and individual appeal to the Director, the action of designation to the Organization System, in contrast to the choice made by the employee in the System at the conclusion of 15 years of Organization service, is not a critical milestone for the employee with less than 15 years of Organization service. Its importance stems from the fact that this action constitutes the formalization of status as a participant in the Organization System. For the employee who has already achieved a minimum of 15 years of Organization service, who is otherwise qualified, and who is designated to become a participant in the Organization System, notification of his designation will in fact coincide with his opportunity to exercise the choice provided for at the 15th anniversary of the employee already in the System.

8. SERVICE AGREEMENT

A new Service Agreement, Form 3101, is the instrument which the employee must sign in assuming the obligation to perform the "qualifying service". For the present, the existence in the file of a signed Career Staff form, long in use in the Organization, may be used in lieu of the new form. Form 3101 will be used whenever a new Service Agreement is required.

9. THE SYSTEM AND THE INDIVIDUAL WITH 15 OR MORE YEARS OF SERVICE

- a. Any individual who has 15 or more years of Organization service and is otherwise qualified for participation in the Organization System but who has less than 5 years of "qualifying service" will not be designated to the System until he has completed his 5 years of "qualifying service". Once this requirement is met, his Career Service may nominate him for designation if he is still otherwise eligible. He must then exercise his choice between remaining in the Organization System or completing his Organization service under the Civil Service System.
- b. Any individual who is already eligible for optional retirement under the Civil Service Retirement System and who is also qualified to be designated a participant in the Organization System may exercise the choice of becoming a participant and immediately retiring under the Organization System. However, there are a few cases in which Civil Service Annuity would be larger because the maximum annuity is higher under Civil Service (80% rather than 70%). Generally, the higher maximum annuity makes the Civil Service Retirement System more favorable to the employee who has 36 years and 10 months or more of service. The Retirement Staff at headquarters will pay close attention to this factor in processing cases and will advise the individual of the respective annuities.

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c. After making a choice to remain within the Organization System on or after the 15th anniversary of Organization service, the individual may not again return to the Civil Service Retirement System. However, as a matter of policy, the Retirement Board has agreed that a participant may, not later than one year prior to his retirement, apply to be removed from the System and transferred to the Civil Service Retirement System provided his annuity would be larger under the Civil Service Retirement System. (An employee must have been under the Civil Service Retirement System for at least one year during the two years immediately preceding retirement under that System.)

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COMPARISON OF PRINCIPAL PROVISIONS OF THE SYSTEMS

NOTE: This chart has been prepared to give only general information about the two retirement systems. The presentation is necessarily simplified and many technical points are not covered.

Item	Civil Service Retirement (CSR)	Organization Retirement (OR)	Comments
Contributions to Retirement Fund	By employee: $6\frac{1}{2}\%$ of basic pay By Organization: $6\frac{1}{2}\%$ of basic pay	Same	
<u>Computation of Annuity</u>			
Basis	Based on average salary for highest paid consecutive five years of service ("high-5") and years of creditable service.	Same	
Formula	$1\frac{1}{2}\%$ of high-5 times 1st 5 years of service + $1\frac{3}{4}\%$ of high-5 times 2nd 5 years of service + $2\%$ of high-5 times remaining years of service.	$2\%$ of high-5 times years of service.	OR annuity is 3.75% of high-5 more than an annuity computed under the CSR formula.
Maximum	80% of high-5 (attained at 41 years 11 months of service)	70% of high-5 (attained at 35 years of service)	Although CSR's maximum is higher, because of difference in annuity formula, it would take about 36 years 10 months of service under CSR to earn the OR maximum annuity. An OR participant eligible for a higher annuity under CSR may request transfer to that system.
Cost-of-living Adjustment	Effective 1 April of any year upon a price index rise of at least 3%, annuities which began earlier than 2 January of preceding year will be increased by an equivalent percentage	Same	

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Item	(CSR)	(OR)	Comments
<u>Computation of Annuity</u> (cont'd)			
Reduction for Age	Annuity is reduced by 1% for each year under age 60 to age 55, and 2% for each year below age 55. This reduction does not apply in the case of disability retirement.	No reduction for age for any type of retirement.	A substantial reduction may occur under CSR, for example, 15% at age 50.
Special adjustment (1962 Pay Act)	The Federal Salary Reform Act of 1962 provided special percentage increases in Civil Service annuities on a decreasing scale over a 5 year period. Adjustment for 1965 retirements is 2%, for 1966, 1%. None after 1966.	No similar provision.	As indicated, this was a special provision of the 1962 Pay Act for Civil Service annuities only.
Optional (Voluntary) Retirement	Available at: Age 60 with 30 years service; Age 62 with 5 years service; Age 55 with 30 years service, but earned annuity reduced by 5%.	Available at age 50 with 20 years service, including 10 years Organization service of which 5 years are qualifying, upon application and with consent of the Director.	OR permits voluntary retirement with full earned annuity 10 years earlier than CSR.
Involuntary Retirement (Discontinued Service)	Immediate annuity available if involuntarily separated, not for cause, if Any age with 25 years service; Age 50 with 20 years service. Earned annuity reduced proportionately for years under age 60.	Involuntary retirement at the discretion of the Director if: Any age with 25 years service; or age 50 with 20 years service. In either case, must have 10 years of Organization service including 5 years of qualifying service.	OR discontinued service annuity has no reduction for age.

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Item	(CSR)	(OR)	Comments
Disability Retirement	<p>Available at any age with 5 years of service.</p> <p>Guaranteed minimum annuity is the lesser of:</p> <ul style="list-style-type: none"> <li>(1) 40% of high-5; or</li> <li>(2) annuity computed by extending service to age 60.</li> </ul> <p>Under federal income tax, the "sick-pay" exclusion (up to \$100 per week) is applicable to disability annuity up to optional retirement age.</p>	<p>Same</p> <p>Same</p> <p>Same</p>	
Mandatory (Age) Retirement	<p>Required at age 70 with 15 years of service. (However, the Organization expects employees to retire when eligible for optional retirement without age reduction in annuity unless requested to remain in service.)</p>	<p>Required at:</p> <p>Age 65 if GS-18 or above; Age 60 if GS-17 or below.</p> <p>The Director may extend a participant's service for not more than 5 years.</p>	Although mandatory retirement ages are not the same, in most cases age 60 is the age when most employees are expected to retire.
Deferred Annuity	<p>An employee who is separated before becoming eligible for an immediate annuity but with 5 years or more of service may elect to leave his contributions in the Retirement Fund and receive an annuity at age 62.</p>	<p>Same, except that participant must have 5 years of Organization service.</p>	
Death in Service	<p>If employee had five or more years of service:</p> <p>Widow or dependent widower receives 55% of deceased employee's earned annuity. This annuity terminates upon death or remarriage or when dependent widower becomes capable of self-support.</p>	<p>Same</p>	Because of difference in annuity formula, survivor annuities are larger under OR than under CSR.

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Item	(CSR)	(OR)	Comments
Death in Service (cont'd)	Annuity provided for each unmarried child up to age 18, or over age 18 if incapable of self-support, or to age 21 if full-time student. Amount of annuity depends on whether there is a surviving spouse and number of children.	Same	
Survivor Annuity to Spouse of Retired Employee	At time of retirement, employee may elect to receive a reduced annuity to provide a survivor benefit to spouse. Annuity terminates on death or remarriage of surviving spouse. Surviving spouse receives 55% of employee's earned annuity (or of lesser base if employee elects). Employee's annuity is reduced by $2\frac{1}{2}\%$ of the first \$3,600 plus 10% of balance.	Same Same Same	Because of difference in annuity formula, survivor annuities are larger under OR than under CSR.
Survivor Annuity to Child of Retired Employee	Same as annuity for child of employee who dies in service.	Same	
Refund of Contributions	An employee who is separated with less than 5 years of service may apply for a refund of contributions. An employee with more than 5 years of service may elect a refund or a deferred annuity.	There is an automatic refund of contributions to an employee who is separated with less than 5 years of Organization service. An employee with more than 5 years of Organization service may elect a refund or a deferred annuity.	

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Item	(CSR)	(OR)	Comments
Reemployment of annuitant in Federal service	Annuitant may be reemployed by the Federal Government. Generally, his annuity is offset against his salary.	Same	
Federal Employees Group Life Insurance	This life insurance (not accidental death and dismemberment) may be continued free to a retired employee if he retires on an immediate annuity with 12 or more years' creditable service, or on account of disability. The insurance, based on final employee salary (not the annuity), is reduced by 2% each month beginning at age 65 or the date such insurance as an employee would otherwise terminate, whichever is later. Maximum reduction is 75%.	Same	
Federal Employees Health Benefits	Annuitant may retain his health benefits if he retires on an immediate annuity with 12 or more years' creditable service, or on account of disability. Premiums will continue at the same rate and be withheld from the monthly annuity payment.	Same	

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## COMPARISON OF MONTHLY

## ANNUITY RATES

AGE 50 WITH 20 YEARS SERVICE

HIGH - FIVE AVERAGE SALARY												
Type of Annuity	\$7,000		\$8,000		\$9,000		\$10,000		\$11,000		\$12,000	
	CSR	OR	CSR	OR	CSR	OR	CSR	OR	CSR	OR	CSR	OR
A	180	233	205	266	231	300	257	333	282	366	308	400
B	175	227	200	260	225	292	251	322	275	352	300	382
C	98	128	113	146	127	165	141	183	155	201	169	220

HIGH - FIVE AVERAGE SALARY												
Type of Annuity	\$13,000		\$14,000		\$15,000		\$16,000		\$17,000		\$18,000	
	CSR	OR										
A	334	433	360	466	385	500	411	533	437	566	463	600
B	323	412	346	442	369	472	393	502	416	532	439	562
C	183	238	198	256	212	275	226	293	240	311	254	330

A - Annuity to a retired employee if survivor benefit is not elected.

B - Annuity to a retired employee with maximum benefit to surviving spouse.

C - Maximum benefit to surviving spouse of retired employee, or benefit to widow or dependent widower of employee whose death occurs before retirement.

Note: CSR figures are based on Discontinued Service or Involuntary Retirement annuities and do not include the percentage increases provided by PL 87-793 for individuals retiring from January 1963 through December 1966, for example, 2% in 1965.

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